

Congressman Steve Buyer

Fifth Congressional District of Indiana

227 Cannon House Office Building, Washington, DC 20515 * (202) 225-5037

215 W. Sycamore Street, Kokomo, IN 46901 * (765) 454-7551

100 S. Main Street, Monticello, IN 46901 * (219) 583-9819

<http://www.house.gov/buyer/>



STATEMENT OF REPRESENTATIVE STEVE BUYER (IN-5th)

House Agriculture Committee Field Hearing on Federal Farm Policy

May 13, 2000

Peoria, IL

Mr. Chairman;

Thank you for the opportunity to address the committee today on issues facing production agriculture. I represent 20 counties in North Central Indiana that contain some of the most productive farmland in the United States. Indiana has the second highest percentage of prime farmland in the nation, and in my district Carroll County is the number one producer of hogs in the state, Jasper County is the largest producer of corn and Newton County led the state in yield last year.

Indiana is America's number one producer of ducks and number two in popcorn. We rank fourth in soybean production and number five in corn. I have talked to farmers across the Hoosier agricultural heartland, and I am pleased to report that the spirit of hard work, innovation, and entrepreneurship is alive and well.

Despite this abundance, however, I must report to you that our productivity has not resulted in sustainable profits for many farm families. Purdue University reported last year that even record yields would lead the average farmer to lose \$26 per acre, despite the availability of marketing assistance loan payments (LDP). This year, the prospect of continued drought conditions has raised troubling questions about yields, which could further worsen the situation if market prices remain the same. Although pork prices have recovered, the painful memories of \$10.00 hogs are fresh in producers' minds. While the American economy is soaring, American farmers are hurting.

These tough economic times and other pressures on farming have contributed to a loss of 1.2 million acres of Indiana farmland between 1978 and 1992. At the same time, the average age of an Indiana farmer has risen to 52 years old. As our farms disappear and the farming population grows older, rural areas face an unprecedented threat to their economic vitality.

Although many complex issues face today's farmers, they can be narrowed down to their basic impact upon revenues and the cost of doing business. The damaging combination of low prices, unfair trade barriers, high taxes, and burdensome regulations have placed the future of family farming in doubt. Recognizing that traditional command and control government farm policies were contributing to the economic hardships faced by American farmers, Congress wisely enacted the Freedom to Farm legislation, aimed at allowing farmers to plant for the market, not for the

government.

Over the past year, the success of this legislation has been questioned due to the persistent low prices farmers have faced in the marketplace. To investigate the impact of government policies upon Hoosier farmers, I conducted a series of forums with agricultural interests and my agricultural issues advisory committee. As a result of these discussions I have reached several conclusions which I will share with the committee.

First of all, we must recognize free market philosophies encourage gains in productivity and innovation. Government policy should focus on encouraging fair competition, reducing regulatory costs, and helping to manage risk. Farmers recognize the importance of transitioning to a free market economy, and they realize that Freedom to Farm was not meant to respond to global economic events like the Asian economic crisis. I strongly believe that a return to command and control agriculture policy would hurt the farm economy.

As a player in an increasingly competitive world market, limiting farmers' ability to plant for the marketplace and restricting acreage would simply create an opportunity for international competitors to step into the breach. For example, from 1982 to 1988, U.S. farmers harvested 12 million fewer acres of soybeans. During the same period, Brazil and Argentina increased their production by 14 million acres. Where we falter, others will step in to take our place. Our productivity is our strength, and should not be restrained by government policies.

The proper role of government is to help manage risk, and the reform and expansion of current crop insurance programs is a strong step in the right direction. By granting farmers maximum choice and flexibility in marketing strategies, crop insurance helps farmers to respond to forces beyond their control, while ensuring farm competition and an adequate safety net. In addition to safeguarding the means of production through crop insurance and marketing assistance loans, we must also examine factors affecting the marketing end of the farm economy.

Since 1950, American farmers have increased their production levels by 250 percent. They have been on the cutting edge of technology, embracing GPS based precision farming techniques, the Internet, and the benefits of biotechnology. They have compensated for stagnant prices by continuing to increase their productivity and efficiency, and they have done so in an atmosphere of increasingly complex regulatory burdens. American farmers are unquestionably the most innovative and productive in the world, but they are not being allowed to compete on a level playing field.

In addition to international trade barriers, farmers face barriers to competition here at home. In the transportation sector, American farmers have faced pressures brought about by rail consolidations and a chronic shortage of rail cars, while Brazilian soybeans are traveling to market via a more efficient rail system backed by a \$1.3 billion U.S. investment which has cut Brazil's production costs in half. The Surface Transportation Board recently sanctioned a pipeline company for overcharges on the cost of anhydrous ammonia transportation, and concerns exist about the adequacy of our inland waterway system. The increasing lack of competition and aging of our transportation infrastructure has hurt American farmers' ability to compete.

Farmers are also deeply concerned about the market concentration and vertical integration which threatens competition in the grain and livestock sectors. Since the late 1980's the number of U.S. farms that raise hogs has declined by two-thirds, while the average number of hogs raised on each farm has tripled. Many family farmers have been forced to get bigger or get out of the business.

Contracted production without accurate price reporting is detrimental to a free marketplace, and the failure of consumer prices to reflect the prices received by farm producers disrupts the traditional price impacts of supply and demand. While increased efficiency is commendable, the concentration and integration of producers and packers raises troubling questions about the future of free market competition.

The same type of pressures are facing the grain market. I have recently received reports in my district of processors refusing to accept grain from local cooperative elevators, limiting their purchases to farmers. Moreover, a large grain and fertilizer conglomerate has been accused of anti-competitive agreements which link grain sales to selling fertilizers at cost to local farmers in what appears to be an attempt to force local competitors out of business. Over the long term, these practices hurt competition.

Another hindrance to competition is the burden imposed by the government in the form of taxes and environmental regulations. Unequal business environments in competing nations are placing American farmers at a disadvantage in the global marketplace.

Farmers are environmentally friendly stewards of the land who have proven themselves to be proactive in preserving the environment when given the right information and support. Farmers have eagerly embraced cooperative measures to protect the environment, including the Wetlands Reserve Program, the Conservation Reserve Program, and the EQIP program. Farmers recognize that sustainable agriculture requires an environmental awareness and concern.

Environmental compliance measures should focus more attention and resources on shared initiatives and incentives, rather than on punitive measures which overstep the bounds of the law and regulatory authority. The most recent example of inappropriate regulation was highlighted by the U.S. District Court decision which found that the EPA had overstepped its authority in an attempt to regulate non point source discharges. I agree with the court's findings and support further efforts to require an independent review of the EPA's TMDL rule proposals by the National Academy of Sciences.

Through common sense environmental efforts, farmers have reduced soil erosion dramatically, have improved water quality, and have reduced chemical and fertilizer inputs. A successful model for future environmental protection must be based upon an understanding of the needs of agriculture and programs based upon incentives rather than punitive measures. We must also recognize that the government played a vital role in the funding of point source pollution reduction efforts. We must be prepared to share the financial burden with the agriculture community in reducing non-point source discharges.

With regard to federal tax and spending policy and its impact on agriculture, I believe it is important to recognize the benefits we have received from balancing the budget and starting to pay down the national debt. The reduction in interest rates which followed these efforts played a significant role in reducing operating costs for the farm community. I believe it is important that we build on these efforts by eliminating the estate tax, allowing for full deductibility of health care expenses, and reducing capital gains taxes.

Finally, expanding markets through fair trade and developing new uses through support of research and development initiatives is vital to the future of agriculture. I strongly believe that trade development does not end with the signing of free trade agreements. My opposition to PNTR

with China is based on a variety of concerns, including the poor record of the current administration in enforcing compliance with our current trade agreements. From trade enforcement issues to the negotiation of agreements which place restrictions on American farmers which are not imposed upon their direct competitors in developing nations, our trade policy has not delivered on its promises to level the playing field, largely through a lax enforcement of trade agreements by the Clinton Administration. The GAO has recommended that a strategy be developed by USTR, Commerce and USDA to manage its trade agreement enforcement and monitoring workload. I strongly agree with this conclusion.

To support greater demand for ag products, I believe we must continue to support research efforts to develop new uses and new markets for our products. I am encouraged by recent efforts to further investigate the use of ETBE made from ethanol as a substitute for MTBE to meet the requirements of the RFG program. As the EPA looks at restrictions on diesel emissions, I am hopeful that they will give careful consideration to the potential of biodiesel blends as an environmentally friendly alternative. Further development of agriculture based products holds great promise for increasing farm prices and improving the quality of life for American families through low cost, environmentally friendly products based on domestically produced raw materials.

The future of American agriculture relies upon our efforts as legislators to encourage free market competition, innovation, and productivity. I believe American agriculture can compete as the world's low cost high quality producer, if we unleash its potential, rather than restrict it through high taxes, unnecessary regulation, and unfair trading practices. I look forward to working with the members of the committee as we seek shared solutions to preserve and enhance the heritage of America's farmers. Thank you